

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

First-Class Package Service (FCPS)  
Service Standard Changes, 2021

Docket No. N2021-2

PRESIDING OFFICER'S INFORMATION REQUEST NO. 11  
AND NOTICE OF FILING UNDER SEAL

(Issued August 5, 2021)

Pursuant to Order No. 5920<sup>1</sup> and 39 C.F.R. §§ 3020.117 and 3020.118, the Postal Service is requested to respond to the following questions to clarify the record on its request for an advisory opinion under 39 U.S.C. § 3661(c) regarding First-Class Package Service (FCPS) Service Standard Changes.<sup>2</sup> To facilitate inclusion of the requested material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers. For each question, produce every document (including any calculations, analysis, assumptions, studies, or workpapers) that were used, relied upon, or referenced in preparing the response. Responses shall be provided as soon as they are available, but no later than August 12, 2021.

**The following questions refer to witness Hagenstein's testimony (USPS-T-1):<sup>3</sup>**

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<sup>1</sup> Notice and Order on the Postal Service's Request for an Advisory Opinion on Changes in the Nature of Postal Services, June 21, 2021 (Order No. 5920).

<sup>2</sup> United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, June 17, 2021 (Request).

<sup>3</sup> Direct Testimony of Stephen B. Hagenstein on Behalf of the United States Postal Service (USPS-T-1), June 17, 2021; *see also* Notice of Filing Replacement Direct Testimony of Stephen B. Hagenstein on Behalf of the United States Postal Service (USPS-T-1), June 21, 2021; Notice of the United States Postal Service of Revisions to Certain Pages of the Request for an Advisory Opinion, USPS-T-1, USPS-T-2, and USPS-T-3 -- Errata, July 2, 2021.

1. Has the Postal Service faced any challenges in acquiring sufficient surface transportation for FCPS during the COVID-19 pandemic to meet its surface transportation needs? If yes, what were these challenges and how did the Postal Service resolve them?
2. Does the Postal Service expect to face any challenges in acquiring sufficient surface transportation for FCPS after the proposal is implemented?
  - a. If yes, please explain what challenges are expected and how does the Postal Service plan to resolve them.
  - b. If no, please explain the basis for the Postal Service's expectation.
3. Please refer to Emily Badger, Quoc Trung Bui, & Margot Sanger-Katz, The New York Times, The Postal Service Survived the Election. But It Was Crushed by Holiday Packages, January 19, 2021, available at <https://www.nytimes.com/interactive/2021/01/19/upshot/postal-service-survived-election-but-crushed-by-holidays.html>; Wimberly Patton, CDL Life, Truckers are behind the scenes of the current mail crisis and it doesn't look good, December 15, 2020, available at <https://cdllife.com/2020/truckers-are-behind-the-scenes-of-the-current-mail-crisis-and-it-doesnt-look-good/>. Assuming that the Postal Service implements its proposal on or about October 1, 2021 (as planned), please discuss how the Postal Service plans to handle the upcoming peak season for FCPS (from approximately the end of November through December) in light of the impact of COVID-19 and the past backups experienced at facilities.
4. Please refer to USPS-T-1 at 3, lines 4-5, where the Postal Service states "we expect to require fewer surface transportation trips over a given period than we currently require." USPS-T-1 at 3 (footnote omitted). Further, "we do not anticipate increased challenges with respect to driver shortages/availability or motor vehicle accidents." *Id.* at 3, n.6. Please also refer to Daniella Genovese, Truck Driver Shortage Affecting Deliveries Nationwide, April 13, 2021, Fox Business, available at <https://www.foxbusiness.com/lifestyle/truck-drivers-shortage-2021>, which indicates the shortage is expected to grow in coming years, and will require approximately 1.1 million additional drivers over 10 years

to keep up with demand. Please also refer to <https://www.ccjdigital.com/business/article/15064327/driver-shortage-not-abated-by-2020s-reshuffling-of-labor-market>, which indicates additional challenges for filling the driver shortages.

- a. Please explain the basis for the Postal Service's expectation, and provide any supporting material necessary, that the Postal Service will not face increased challenges with respect to driver shortages after the proposal is implemented.
  - b. Please discuss how the Postal Service plans to handle driver shortages after the proposal is implemented that impact particular geographic areas.
  - c. In the past 5 years, has there been instances where the Postal Service could not acquire planned surface transportation for FCPS due to a shortage of drivers? If yes, what geographical region(s) did this shortage occur and what was the remedy for these instances?
  - d. In the past 5 years, has there been instances where FCPS were planned to be transported by surface and had to be re-routed to air due to an unexpected shortage of surface transportation? If yes, please describe the circumstances, the geographical region(s), and the resulting cost and service performance implications.
5. Please describe what operational protocol the Postal Service will have set in place after the proposal is implemented, and should there be a shortage of drivers to maintain a steady supply of reliable surface transportation for FCPS.
  6. Please refer to the response to Presiding Officer's Information Request (POIR) No. 1, question 4.a.,<sup>4</sup> in which the Postal Service states that the 95 percent on-time delivery target was chosen in part due to additional changes other than those made to the FCPS service standards—namely, the “hir[ing of ]additional

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<sup>4</sup> Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officer's Information Request No. 1, July 6, 2021 (Response to POIR No. 1).

staffing, install[ation of] additional mail processing equipment, and acqui[sition of] additional facility space for both logistics and mail processing operations.”

- a. How will the Postal Service measure whether the implementation of these changes leads to increased efficiency and network utilization?
    - i. Does the Postal Service have any benchmarks, thresholds, or measureable criteria to monitor the impact of these changes?
      - (1) If yes, please describe such benchmarks, thresholds, or measureable criteria.
      - (2) If no, please explain why the Postal Service does not plan to use any benchmarks, thresholds, or measureable criteria to monitor the impact of these changes.
  - b. Will the Postal Service attempt to disaggregate the impacts that each of these changes—service standard, staffing, equipment, and space—have on efficiency and network utilization? If not, why not?
7. Please refer to the response to POIR No. 4, question 9,<sup>5</sup> in which, based on the assumption that the Postal Service implements its proposal on or about October 1, 2021 (as planned), the Postal Service states that it “does not expect to meet or exceed the 95 percent target level for FY 2022.”
- a. Assuming that the Postal Service implements its proposal on or about October 1, 2021 (as planned), when does the Postal Service expect FCPS on-time service performance to meet or exceed the 95 percent target level?
    - i. Please discuss the basis that supports the Postal Service’s asserted timeframe.
    - ii. Please discuss the level of confidence that the Postal Service has regarding its asserted timeframe.

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<sup>5</sup> Responses of the United States Postal Service to Questions 1-22 of Presiding Officer’s Information Request No. 4, July 23, 2021 (Response to POIR No. 4).

8. Please refer to the Response to POIR No. 4, question 9.b.ii., in which the Postal Service indicates that it does not plan to set an interim target for the FY 2022 period (during which the Postal Service acknowledges it does not expect to meet its 95 percent target level).
  - a. Please explain why the Postal Service does not plan to set an interim target for this timeframe before the Postal Service expects to meet its target.
  - b. During the timeframe before the Postal Service expects to meet its target, does the Postal Service have any benchmarks, thresholds, or measureable criteria to hold its personnel accountable for FCPS service performance?
    - i. If yes, please describe such benchmarks, thresholds, or measureable criteria.
    - ii. If no, please explain why the Postal Service does not plan to use any benchmarks, thresholds, or measureable criteria to hold its personnel accountable for FCPS service performance during this timeframe.
9. Please refer to the response to POIR No. 6, question 4.c. and d.,<sup>6</sup> in which the Postal Service describes that it regularly experiences a peak in demand (which includes FCPS volumes) from approximately the end of November through December.
  - a. In the Response to POIR No. 6, question 4.c., the Postal Service describes that it “has separate planning for peak season and holidays, independent of the model.” Has the Postal Service’s separate planning for the upcoming peak season taken into account that the proposed changes for FCPS going into effect on or after October 1, 2021?

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<sup>6</sup> Responses of the United States Postal Service to Questions 1-9 of Presiding Officer's Information Request No. 6, July 27, 2021 (Response to POIR No. 6).

- i. If so, please explain how.
    - ii. If not, does the Postal Service intend to take the proposed changes into account as it continues planning for the upcoming peak season over the next few months?
      - (1) If so, please explain how.
      - (2) If not, please explain why not.
  - b. Please refer to the Response to POIR No. 4, question 9.b.i, in which the Postal Service indicates that “[t]he implementation process of transportation changes will progress into and throughout FY 2022. While significant shifts in transportation modes are expected to take place near the time of the proposed implementation, the adjustments to the current surface network will evolve through FY 2022.” Has the Postal Service’s separate planning for the upcoming peak season taken into account these evolving adjustments as well?
    - i. If so, please explain how.
    - ii. If not, please explain why not.
10. Please refer to the Response to POIR No. 4, question 8, in which the Postal Service describes that negotiated service agreement (NSA) customers can use special service codes 401 and 402 to identify competitive products (such as FCPS) that contain prescriptions and medical supplies, respectively. Please also refer to the Response to POIR No. 2, question 14,<sup>7</sup> in which the Postal Service states “[p]harmaceutical volume without SSC 401 cannot be tracked separately from FCPS.”
- a. Has the Postal Service considered implementing any system to identify other FCPS items sent for medical purposes by customers that do not have a NSA with the Postal Service?

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<sup>7</sup> Responses of the United States Postal Service to Questions 1-15 of Presiding Officer’s Information Request No. 2, July 8, 2021.

- i. If so, please explain these considerations.
    - ii. If not, please explain why not.
  - b. Has the Postal Service considered implementing any system to identify other FCPS items sent for medical purposes other than prescriptions and medical supplies (such as non-prescription medications)?
    - i. If so, please explain these considerations.
    - ii. If not, please explain why not.
11. Please refer to the Response to POIR No. 6, question 5.b., in which the Postal Service indicates that excluding FCPS items containing pharmaceuticals from the proposed service standard changes “could be possible, but would essentially create a separate product, priced the same as FCPS but following a faster, more expensive network path. Separating pharmaceuticals from the FCPS population would increase costs and require separate handling at Origin (i.e. dedicated machines to prevent it from following the FCPS network.”
- a. Please elaborate on the extent of the types of operational changes that the Postal Service would be required to make to exclude FCPS items containing pharmaceuticals from the proposal.
  - b. Please estimate the additional costs that the Postal Service would incur by doing so.
12. Please refer to the Response to POIR No. 6, Question No. 8.b., in which the Postal Service stated that, “Priority Mail service is accounted for in the model.” Please explain how Priority Mail is accounted for in the model.

**The following questions refer to witness Foti’s testimony (USPS-T-3):<sup>8</sup>**

13. Please refer to Witness Foti’s Testimony on page 7, lines 17 through 18. Witness Foti states, “[First-Class Package Service Transit Commitment Survey (FTC Survey)] respondents most frequently cited price as the primary reason for

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<sup>8</sup> Direct Testimony of Thomas J. Foti on Behalf of the United States Postal Service (USPS-T-3), June 17, 2021; Notice of the United States Postal Service of Revisions to Certain Pages of the Request for an Advisory Opinion, USPS-T-1, USPS-T-2, and USPS-T-3 -- Errata, July 2, 2021.

using FCPS.” USPS-T-3 at 7 (footnote omitted). Please also refer to Witness Foti’s Testimony on page 8, lines 6 through 8. Witness Foti states, “FTC Survey results show that the majority of sampled FCPS-Commercial shippers stated they would maintain or, in some cases, increase FCPS volumes with these proposed changes.” *Id.* at 8 (footnote omitted).

- a. Please confirm that the preferences of recipients of commercial FCPS can also impact the shipper’s decision to use FCPS.
  - b. Please confirm whether you have done any research on the customer satisfaction of commercial FCPS recipients as a part of this proposal.
    - i. If confirmed, please direct the Commission to this research.
    - ii. If not confirmed, please explain why such research was not conducted.
  - c. Do you think that this proposal could cause some recipients to value FCPS services less? In other words, might this proposal cause recipients to substitute to other package services?
  - d. If the proposal lowered recipient demand for FCPS services, do you agree that commercial shippers FCPS volume would decrease, all else equal?
  - e. Could commercial shippers that answered the FTC Survey have neglected to consider or, at that time of the survey, had no research to consider how their recipients’ demand for FCPS services may change after the proposal?
  - f. If commercial shippers did not consider recipient demand for FCPS services after the proposal (part e), and it is likely that recipient demand for FCPS services will decrease (part c) is it possible that volumes will decrease and those decreases would not be reflected in the FTC Survey (part d)?
14. Please refer to the USPS-T-3 at 6-7 stating that “[t]o evaluate the impact of changes to FCPS service standards on current users of FCPS – Commercial, the Postal Service retained The Colography Group to conduct primary survey



research titled the First-Class Package Service Transit Commitment Survey ('FTC Survey')."

- a. Please confirm that the FTC Survey does not survey users of FCPS-Retail. If not confirmed, please explain.
  - b. Did the Postal Service separately survey users of FCPS-Retail regarding the proposed changes?
    - i. If so, please identify that research.
    - ii. If not, please explain why not.
15. Please refer to the Response to POIR No. 7, question 3,<sup>9</sup> stating that "[w]e believe that modeling the impact of the proposed changes to FCPS service standards on this [marketplaces] market segment individually would not yield insightful, helpful market information given parcel market dynamics." Please state whether the Postal Service has attempted to solicit feedback from discrete customer segments within the overall group of stakeholders.
- a. If so, please identify such customer segments.
  - b. If not, please explain why not.
16. Please identify any changes that the Postal Service has made to the proposal in response to stakeholder feedback.
17. As the date nears for the Postal Service to implement its proposal, how does the Postal Service plan to keep FCPS –users informed regarding the timing and impact of the proposed changes?
- a. Specifically, are there resources (such as websites and/or dedicated Postal Service business units) that FCPS users could monitor or contact to keep informed of when the Postal Service plans to implement its proposal?

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<sup>9</sup> Responses of the United States Postal Service to Questions 1-5 of Presiding Officer's Information Request No. 7, July 29, 2021.

- i. If so, please identify those resources and specify whether those resources are limited to commercial or retail users.
  - ii. If not, please explain whether and when the Postal Service plans to develop such resources.
- 18. Please refer to USPS-T-3 at 8, in which the Postal Service states that it “predict[s] a sustained...growth among local volumes.”
  - a. Please provide any and all analyses, surveys, and other information that supports this prediction.
  - b. Does the Postal Service have any plans for outreach to existing or potential customers to facilitate dropshipping FCPS items nearer to the destination?
    - i. If so, please discuss that planned outreach and indicate if the Postal Service plans to include smaller- and/or medium-sized businesses that may not already dropship in those plans.
    - ii. If not, please explain why not.
- 19. Please see Attachment, filed under seal.

Ann C. Fisher  
Presiding Officer